

# THE ECONOMY



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## Employment

### Why is this important?

▲▲ The number, types and wage level of employment, in large part, determine our region's economic activities and well-being. For example, income generated through employment accounts for about 75 percent of the total personal income in the region.'



### How are we doing?

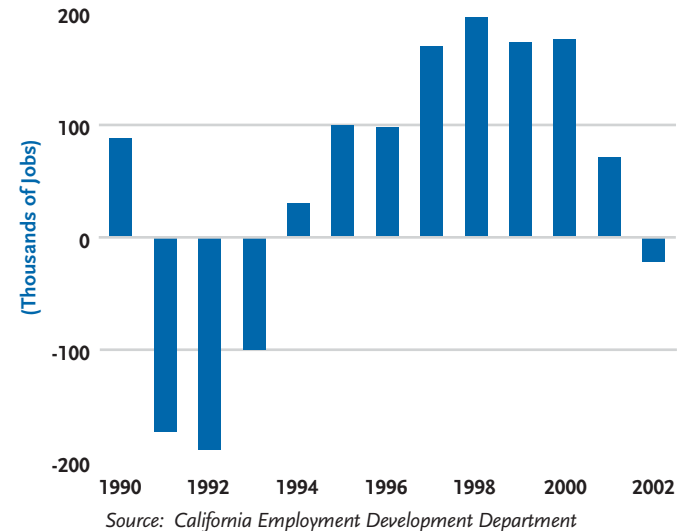
In the region, after gaining an average of more than 170,000 jobs per year from 1997 to 2000, job growth slowed significantly in 2001, adding only 70,000 jobs.<sup>2</sup> In 2002, the region suffered a loss of about 22,000 jobs, bringing total wage and salary jobs below 6.9 million (Figure 11).<sup>3</sup> *This was the first time that Southern California experienced job losses since the 1991-1993 period during which the region experienced the most severe recession since the Great Depression.* The 22,000 job loss was certainly very modest compared with the average loss of more than 150,000 jobs per year during the previous recession in the early 1990s. In 2002, due to the economic downturn, there were job losses throughout the nation including California. While the nation lost more than 1.4 million jobs, California lost almost 130,000 jobs mostly concentrated in the San Francisco Bay Area (Figure 12).

The rate of job loss in the region at 0.3 percent in 2002 was lower than that of the rest of the state (1.3 percent) and the

Figure 11

### Wage and Salary Employment

Change from previous year



nation (1.1 percent). For both 2001 and 2002, Southern California performed better relative to the rest of the state and the nation (Figure 13). During this cycle, the region's diverse economic base helped to dampen the downturn since it is not as dependent upon the high tech sector as other parts of California, particularly the Bay Area. This is in sharp contrast to the last recession when defense budget cuts hit the region hardest with its high concentration in the defense aerospace industry.

Figure 12

Wage and Salary Employment (000)

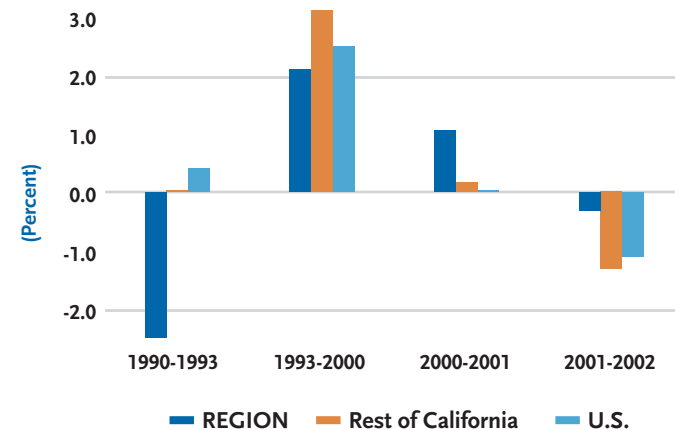
	1990	2000	2001	2002	2000-2001		2001-2002	
					Number	Percent	Number	Percent
Imperial	44.9	50.4	50.0	50.7	-0.4	-0.8	0.7	1.4
Los Angeles	4,142.2	4,079.8	4,082.0	4,041.5	2.2	0.1	-40.5	-1.0
Orange	1,179.0	1,396.5	1,420.8	1,410.7	24.3	1.7	-10.1	-0.7
Riverside/San Bernardino	735.2	1,010.1	1,050.7	1,078.7	40.6	4.0	28.0	2.7
Ventura	247.0	294.3	299.0	299.0	4.7	1.6	0.0	0.0
<b>SCAG Region</b>	<b>6,348.3</b>	<b>6,831.1</b>	<b>6,902.5</b>	<b>6,880.6</b>	<b>71.4</b>	<b>1.0</b>	<b>-21.9</b>	<b>-0.3</b>
Rest of California	6,515.1	8,065.6	8,079.0	7,972.0	13.4	0.2	-107.0	-1.3
California	12,863.4	14,896.7	14,981.5	14,852.6	84.8	0.6	-128.9	-0.9
U.S.	109,403.0	131,785.0	131,826.0	130,376.0	41.0	0.0	-1,450.0	-1.1

Source: California Employment Development Department and Council of Economic Advisers

Within the region, Los Angeles County lost more than 40,000 jobs in 2002 followed by Orange County with 10,000 jobs lost (Figure 12). *In 2002, total jobs in Los Angeles County were still below its 1990 level even while the county's population increased by 1.1 million.* Job growth in the Inland Empire (Riverside and San Bernardino counties) was substantially reduced to 28,000 in 2002, the lowest absolute increase since 1996, after averaging 45,000 net new jobs per year from 1996 to 2001. Ventura County's job base stayed flat during 2002 while Imperial County was the only county that experienced slight job growth.

Figure 13

Employment Change  
(Annual Average)



Source: California Employment Development Department and Council of Economic Advisers

## Employment by Sector

### Why is this important?

▲▲ Different economic sectors have different levels of wages as well as future growth potential in employment and income. Composition of occupations also vary among the different economic sectors. A more diversified regional economy will be less vulnerable to turbulent environments, such as recessions or disasters. ▲▲

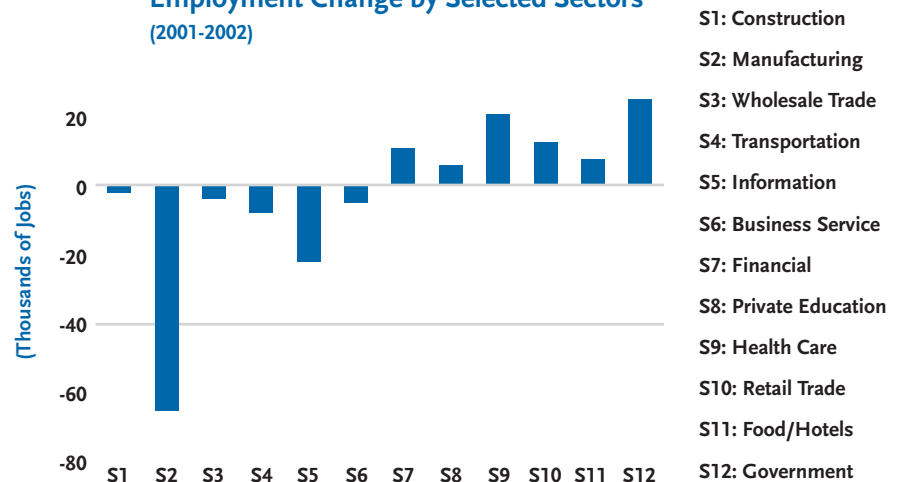
### How are we doing?

In 2002, six of the twelve major economic sectors suffered job losses in the region, including manufacturing, information, transportation, business services, wholesale trade and construction.<sup>4</sup> *Except for construction, all the other sectors with job losses are export-oriented sectors* (Figure 14). Job losses occurred mostly in the manufacturing sector with an almost 66,000 net job decline as further discussed below.

The information sector was the second major source of job losses of about 22,000 in the region in 2002. (This sector is a new classification and incorporates communications, publishing and motion picture production along with internet service providers.) Specifically, publishing industries, telecommunications and internet service providers reduced their payrolls by about 4,500 jobs each. Motion picture and sound recording is the region's largest information subsector with over 120,000 jobs.

Figure 14

### Employment Change by Selected Sectors (2001-2002)



\* Information Sector includes communications, publishing, motion picture production, and internet service providers

Source: California Employment Development Department

In addition, minor losses also occurred in construction, wholesale trade, transportation and warehousing and business service sectors. Construction, wholesale trade, and transportation and warehousing all lost jobs in the region for the first time since 1993. An increase in residential construction jobs was offset by a substantial slowdown on the non-residential side resulting in a net loss of 2,200 jobs for the construction sector. The business

services sector lost more than 5,000 jobs in 2002 with the largest losses occurring in employment services of temporary help agencies.

*On the other hand, the government sector took the lead by adding almost 23,000 jobs with the majority comprised of additional local public school teachers.* The current fiscal problems in state and local governments suggest this boom may be over. Health care is the second single source of job gains of about 21,000 in the region. Retail trade and hotel/food sectors together added another 20,000 jobs into the regional economy though the hotel subsector lost about 2,500 jobs. Private education followed the same pattern as public education employment, adding over 5,000 jobs in the region. Finally, the finance, insurance and real estate (FIRE) sector also had a solid 2002 largely on the back of the hot real estate market.

It should be noted that job increases in public (government sector) and private education, health care, retail trade and accommodation and food sectors are strongly influenced by growth in the school-age population as well as the overall population. The significant growth of population in the past two years contributed to the job gains in these sectors.

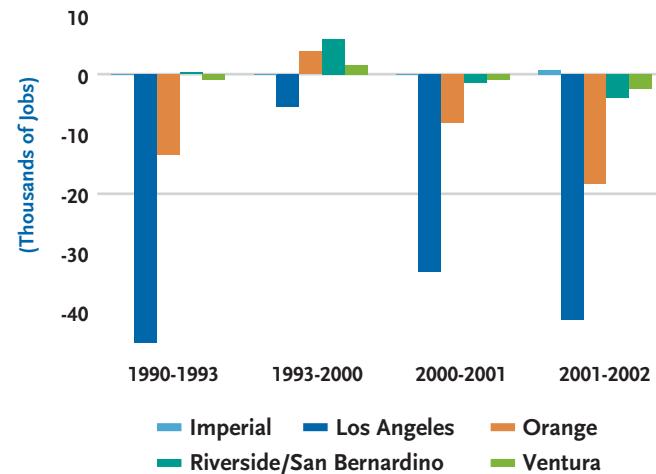
### Manufacturing Sector

During the last recession, the manufacturing sector lost about an average of 60,000 jobs per year between 1991 and 1993 in Southern California (Figure 15). After some recovery from 1994 to 1998, the region's manufacturing sector began to decline again and the magnitude of loss accelerated during the past two

years. Specifically, between 2000 and 2002, the region lost an average of 55,000 manufacturing jobs per year approaching the level during the earlier 1990s recession. It is important to note that the decline in manufacturing jobs is not unique to this region but part of the national trend.

Within the region, the Inland Empire lost manufacturing jobs for the first time in 2001 and the trend continued in 2002. In addition, Orange County experienced more losses in manufacturing jobs in 2002 than the average annual loss during the previous recession years.

**Figure 15**  
**Manufacturing Employment Change**  
(Annual Average)



Source: California Employment Development Department

Within the manufacturing sector, four subsectors suffered the highest losses in 2002. Specifically, the computer and electronic product subsector lost more than 11,000 jobs with the majority occurring in Orange County. The apparel manufacturing subsector lost 8,800 jobs mostly in Los Angeles County. The fabricated metal industry lost 8,600 jobs. Finally, the transportation equipment subsector lost 7,400 jobs with the majority occurring in aircraft manufacturing.

## Unemployment

### Why is this important?

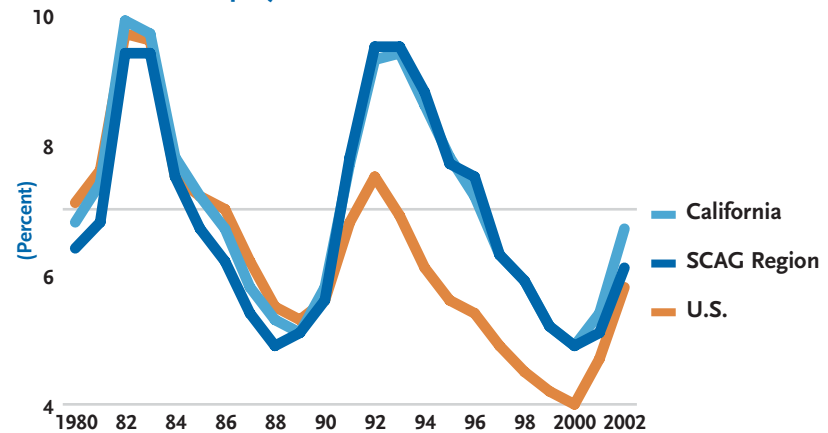
▲▲ Unemployment significantly impacts the economic and social well-being of individuals and families. People with higher unemployment rates will naturally have higher poverty rates. Places with higher unemployment rates would require higher levels of public assistance. ▲▲

### How are we doing?

The unemployment rate in the region reached 6.1 percent in 2002, an increase of one percent from the previous year (Figure 16). The one-percent increase was slightly less than the increase at the state (1.3 percent) and national (1.1 percent) level. In 2002, there were more than half-a-million unemployed workers in the region, an increase from less than 400,000 just two years ago.<sup>5</sup>

In 2002, the unemployment rate at 6.1 percent in the region was slightly higher than the national average of 5.8 percent. This is in sharp contrast to the last recession during the early 1990s when the region's unemployment rates were generally significantly

**Figure 16**  
**Unemployment Rate**



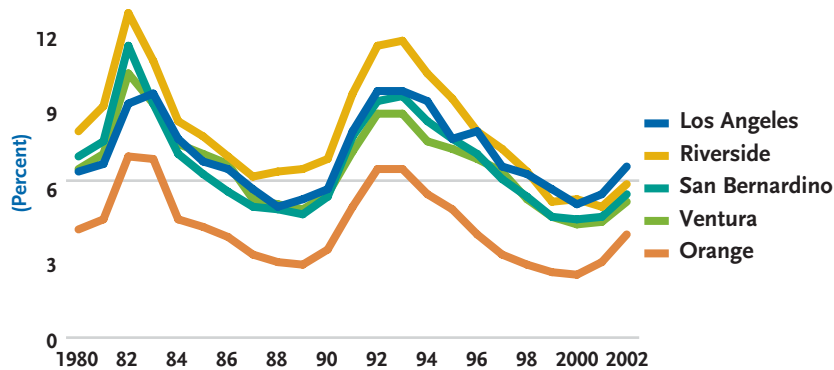
Source: California Employment Development Department

higher (about two percent) than the nation's. Since 1992, the unemployment rate gap between the region and the nation has continuously narrowed.

Within the region, every county except Imperial County experienced a higher unemployment rate in 2002 than they did in 2001. Imperial County has historically experienced much higher unemployment rates.

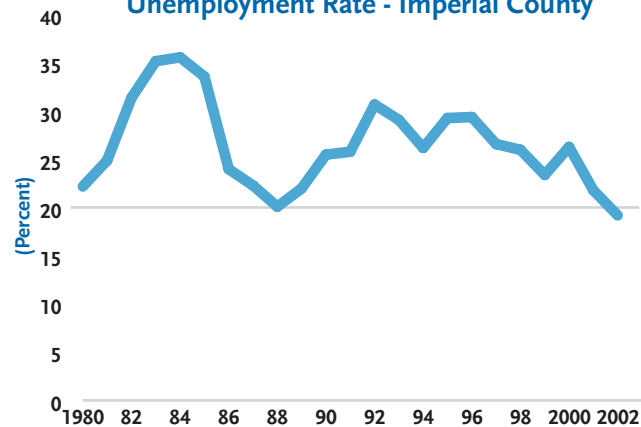
There were significant differences in unemployment rates among the racial and ethnic groups. In 2002, based on statewide data, the unemployment rate among African Americans and Hispanics was around 10 percent, while much lower unemployment rates were experienced by Asians (about 6 percent) and whites (about 5 percent).

Figure 17  
Unemployment Rate by County



Source: California Employment Development Department

Figure 18  
Unemployment Rate - Imperial County



Source: California Employment Development Department

## Average Payroll per Job

### Why is this important?

▲▲ The average payroll per job provides an indication of the overall quality of jobs available in the region. Higher average payroll per job contributes to higher per capita income. ▲▲

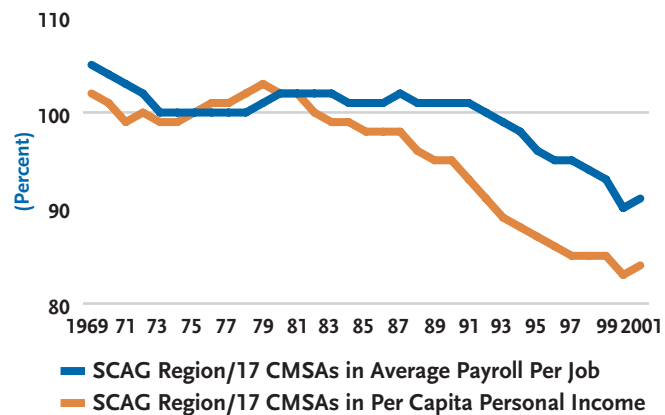
### How are we doing?

In 2001 (the most current data available), the average payroll per job in the region decreased slightly by 0.3 percent after adjusting for inflation. Among the nine largest metropolitan regions in the nation, the SCAG region ranked 5th in the growth of average payroll per job (see Figure 70 page 90). The San Francisco Bay Area suffered a sharp decline of 8.6 percent in its average payroll per job. In 2001, the SCAG region ranked last in average payroll per job among the nine largest metropolitan regions (see Figure 71 page 90).

Though the 2002 payroll data is still not available, sectors with significant job losses in the region, such as manufacturing and information sectors, had higher than average payrolls per job. Hence, average payroll per job in the region was likely to continue to decline in 2002.

Prior to 1992, the region maintained an average payroll per job at or above the average of the 17 largest metropolitan regions (Figure 19). Since 1992, the average payroll per job in the SCAG region has been declining relative to the average of the 17 largest metropolitan regions. In 2001, the SCAG region's average payroll per job was 91 percent of the average of the 17 largest metropolitan regions, though a slight improvement from the 90 percent level in 2000. The slight improvement in 2001 was primarily due to the decline in high-tech regions particularly in the San Francisco Bay Area as well as the much slower growth in the New York metropolitan region.

**Figure 19**  
**SCAG Region vs. 17 Largest Metropolitan Regions\***  
 (Average Payroll Per Job and Per Capita Personal Income)



\* Defined as the CMSAs (Consolidated Metropolitan Statistical Areas)  
 Source: U.S. Bureau of Economic Analysis

## Income

### Why is this important?

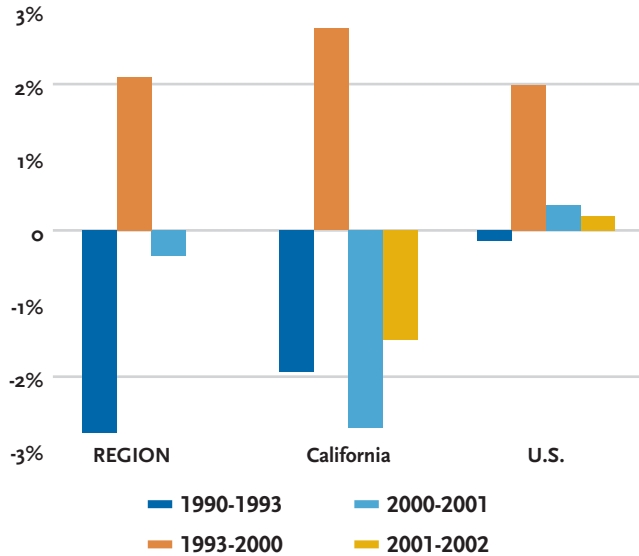
▲▲ Per capita income is one of the most important indicators of economic well-being. An increase in per capita income is generally associated with improving social and economic indicators such as reduced poverty and an increase in educational attainment. A higher income level not only provides more resources for current consumption but also enhances future opportunities. An area's income level also provides an indication of its ability to provide services to its population. ▲▲

### How are we doing?

In 2001, the region's real personal income per capita (with inflation adjustment) declined slightly by 0.3 percent (Figure 20). This was the first time since 1993 that the region suffered an absolute decline in real per capita income. Nationally, real personal income per capita grew slightly by 0.3 percent. Nevertheless, the region performed less badly than the average of the nine major metros (-1.4%) and the state average (-2.7%), both of which were impacted by the significantly bad performance of the San Francisco Bay Area with a 7.9 percent decline (see Figure 72 page 91).

In 2002, real personal income per capita for the nation grew only 0.2 percent, down from an increase of 0.3 percent in 2001. This was the second consecutive year of slowing growth. In 2002, real personal income per capita for California continued to decline by 1.5 percent. Though per capita personal income data in 2002 for the region is not available, with overall job decline

**Figure 20**  
**Growth of Real Personal Income Per Capita**  
 (Annual Average)



Note: The 2002 data for the SCAG region is scheduled for release in May 2004 by the U.S. BEA.

Source: U.S. Bureau of Economic Analysis

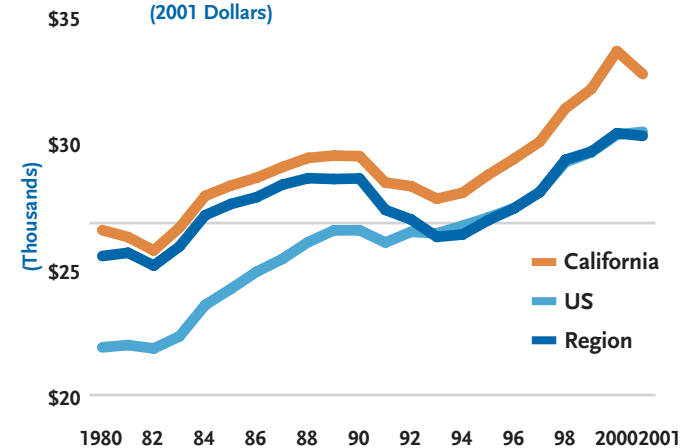
(including significant job losses in high-wage sectors) as well as a significant population increase, the region's performance in real per capita income in 2002 is likely to decline further.<sup>6</sup>

In 1980, real personal income per capita in the SCAG region (\$25,628) was significantly above the national average (\$21,886), and just below the state average (\$26,525). However, in 2001, the region's per capita income (\$30,256) fell below the national average (\$30,308) and significantly below the state average

(\$33,610). Metropolitan regions, with their cost of living higher than that of the nation, need to generate per capita income higher than the national average to maintain the same standard of living. Among the 17 largest metropolitan regions, only the SCAG region and Miami region had their per capita incomes below the national average.

Among the 17 largest metropolitan regions in the nation, the SCAG region's ranking of per capita income remained at 16th in 2001 and is expected to remain there in 2002 also (after dropping from the 4th highest in 1970 to 7th highest in 1990, and 16th place in 2000) (see Figure 73 page 91). Since 1981, the SCAG region's per capita personal income has been below the

**Figure 21**  
**Real Personal Income Per Capita**  
 (2001 Dollars)



Source: U.S. Bureau of Economic Analysis

average of the 17 largest metropolitan regions and the gap has been increasing. In 2001, per capita personal income in the SCAG region was 84 percent of the average of the 17 largest metropolitan regions, though a slight improvement from the previous year (see Figure 19 page 26). Nevertheless, the long-term trend of decline relative to other metropolitan regions may continue challenge the region, because some of the fundamental factors remain the same. These factors include the continuing loss of high wage manufacturing jobs and the overall lower educational level of the work force in the region.

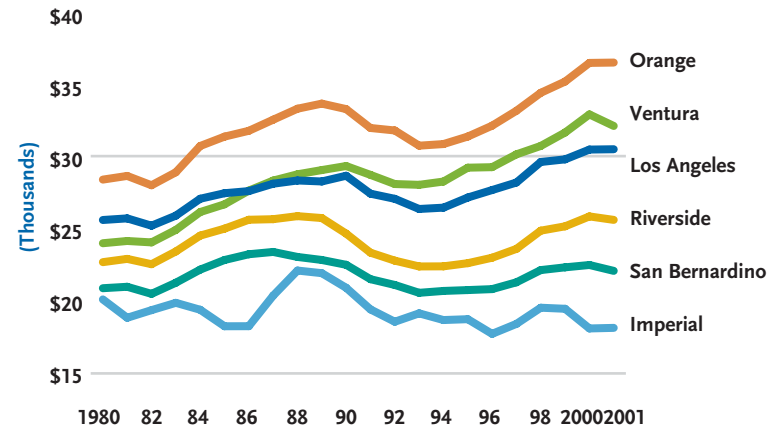
Within the region, real personal income per capita in 2001 dropped in Ventura, Riverside and San Bernardino counties (Figure 22). In 2001, both the real per capita incomes in San Bernardino and Imperial counties were lower than their respective 1990 levels. Orange County continued to have the highest per capita personal income while Imperial County the lowest.

### Household Income

Nationally, median household income in 2002 was 1.1 percent lower than in 2001, after adjusting for inflation.<sup>7</sup> This is the second consecutive annual decline of real median household income. In California, the median household income decline appeared more pronounced than that for the nation as a whole, dropping 1.5 percent (\$725) from 2001.

While median household income declined modestly at the national level in 2002, recent immigrants and minority households experienced much higher impacts. For example,

**Figure 22**  
**Real Personal Income Per Capita by County**  
(2001 Dollars)

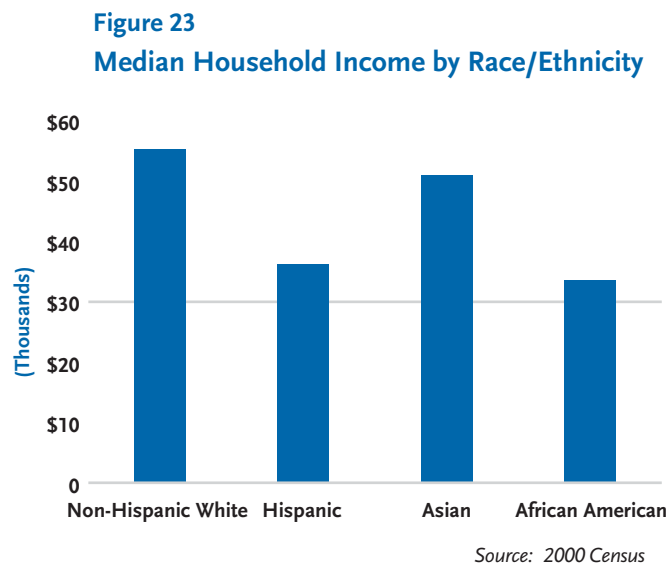


Source: U.S. Bureau of Economic Analysis

households of non-citizen immigrants experienced a 3.9 percent decline in their household income, much higher than the 1.1 percent national average.<sup>8</sup> In addition, median household income of African American households fell between 2.5 and 3 percent, for Hispanic households 2.9 percent and for Asian and Pacific Islander households between 4 and 4.5 percent.

Within the region, median household income declined between 1990 and 2000, which was contrary to the national trend.<sup>9</sup> (See Map 3 page 33 on median household income changes between 1990 and 2000.) *Recent Census surveys indicated that the region experienced no growth in median household income from 2000 to 2002 (Figure 33 page 39).*

There were significant income disparities among the region's different racial and ethnic groups. For example, based on the 2000 Census, the median household income for non-Hispanic Whites was over \$55,000 and for Asians over \$50,000 while for Hispanics just over \$36,000 and for African Americans it was less than \$34,000 (Figure 23).



## Poverty

### Why is this important?

▲▲ The poverty rate measures the proportion of a population that has an income below the poverty line and therefore lacks the economic resources needed to support a minimum acceptable standard of living. The poverty line is adjusted for family size. Poverty not only results in current economic hardship, but also limits an individual's and family's future development opportunities. A higher poverty rate is both a cause, as well as an outcome, of lower educational attainment and higher unemployment rates. The extent of poverty also reflects the need for various kinds of public assistance.

Poverty among children is of particular concern. Poverty in childhood is associated with a higher risk for dropping out of school, poor health, teenage pregnancy and a long-term economic disadvantage as adults. ▲▲

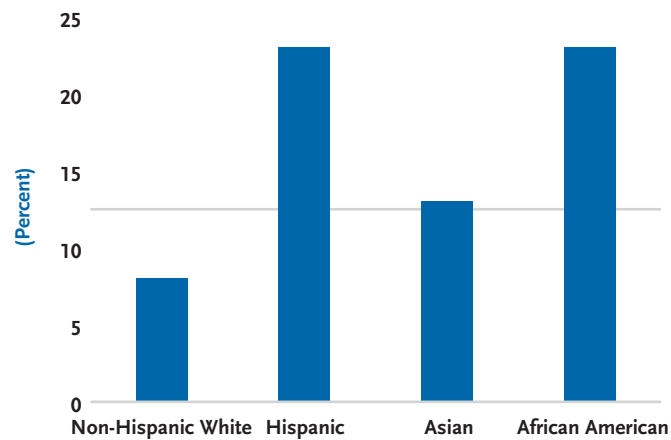
### How are we doing?

In 2002, a family of four earning less than \$18,244 a year is classified as living in poverty, compared with \$14,348 for a family of three; \$11,756 for a family of two; and \$9,183 for unrelated individuals.<sup>10</sup> Poverty rates increased both in the nation and the state in 2002. Nationally, the poverty rate increased from 11.7 percent in 2001 to 12.1 percent in 2002 for all persons, while the poverty rate for children stayed at 16.7 percent.<sup>11</sup> In California, the poverty rate increased from 12.6 percent to 12.8 percent.

Once again, minority households were impacted disproportionately based on national data. For example, the poverty rate among African American households rose from 22.7 percent in 2001 to about 24 percent in 2002, a 1.3 percent increase that was much higher than the 0.4 percent increase at the national level.<sup>12</sup>

*The 2000 Census found the region had the highest poverty rate among the nine largest metropolitan regions in the nation. Almost one in six persons in the region was in poverty.<sup>13</sup> In addition, from 1990 to 2000, except for Washington, DC area, Southern California was the only large metropolitan region where population living in high poverty neighborhoods increased, contrary to the national trend of significant reductions.<sup>14</sup> Recent Census surveys indicated that the poverty rate in the region remained unchanged from 2000 to 2002.<sup>15</sup>*

**Figure 24**  
**Poverty Rate by Race/Ethnicity**



Source: 2000 Census

There were significant disparities in poverty rates among the region's different racial/ethnic groups (Figure 24). For example, based on the 2000 Census, poverty rates among Hispanic and African American households reach 23 percent while only 8 percent for non-Hispanic White households.

## Taxable Sales

### Why is this important?

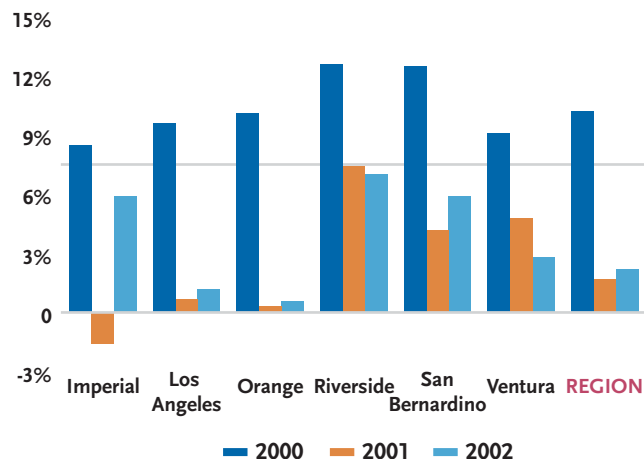
▲▲ Taxable sales provide important revenue sources for state and local governments and special districts. While employment and income are measures on the production side, taxable sales measure the level of consumption activities. Taxable sales tend to follow closely with trends in personal income, job market and consumer confidence. ▲▲

### How are we doing?

In 2002, total taxable sales in the region reached over \$205 billion. More than half of the region's taxable sales was from Los Angeles County (\$109 billion). Taxable sales in Orange County (\$45 billion) in 2002 were almost the same as in the previous two years.

During both 2001 and 2002, because of the economic slowdown, taxable sales in the region increased by about 2 percent per year, after achieving a 10-percent annual growth in 2000 (Figure 25).<sup>16</sup> The rate of annual taxable sales increases in 2001 and 2002 in the region were the smallest since 1993. Within the region, Orange and Los Angeles counties experienced the lowest rates of growth in taxable sales in 2002. In the Inland Empire, growth of taxable sales continued in 2001 and 2002 though at a much modest pace than in 2000.

**Figure 25**  
**Taxable Sales**  
(Change from Previous Year)



Source: California State Board of Equalization

## International Trade

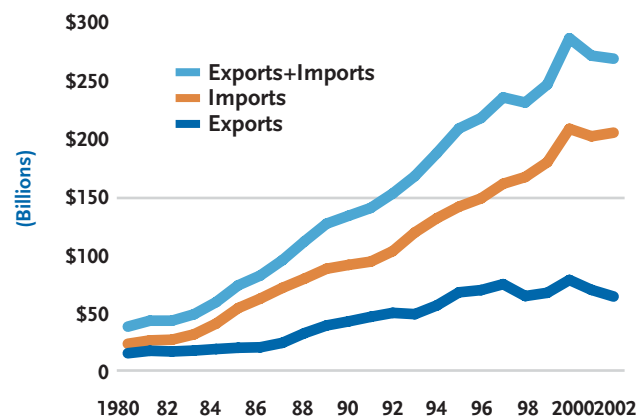
### Why is this important?

▲▲ International trade includes export and import activities that create job opportunities and bring income into the region. Though exporting goods produced in Southern California generates higher net economic benefits for the region, imports can create economic benefits too. The region's role as a major transshipment center linking domestic and global markets is also of national and international significance. ▲▲

### How are we doing?

Since 1980, international trade has played an increasing role in the region's economy. For example, total trade through the Los Angeles Customs District (LACD) increased from less than \$40 billion in 1980 to \$267 billion in 2002, an increase of more than six times (Figure 26). The region's direct employment in international trade also increased from about 170,000 in 1980 to 440,000 in 2002.<sup>17</sup> During the same period, the share of the LACD's trade value of the U.S. total grew from about 8 percent to over 14 percent. The region's prominence in international trade has been fostered through its large domestic market, global ties through its growing Asian and Hispanic communities, strategic location and excellent trade infrastructure serving the rest of the nation.

**Figure 26**  
**Exports and Imports - LA Customs District**  
(Current Dollars)



Source: U.S. Census Bureau

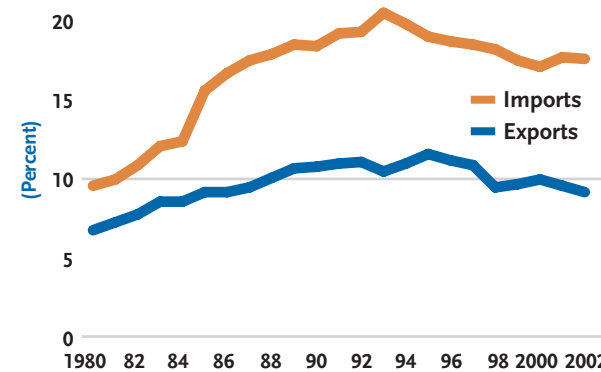
Total trade through the LACD declined slightly from \$270 billion in 2001 to \$267 billion in 2002 (Figure 26). The \$3 billion decline was much more modest than the \$15 billion drop during 2000-2001. The decline in 2002 was completely due to exports (-6 billions) since import through the LACD actually increased by \$3 billion. The increase of imports during an economic downturn was because an increasing share of the U.S. manufacturing activities have moved overseas.

The shares of the LACD's export of the U.S. total have been between 9 and 10 percent for the past five years while shares of imports have been between 17 and 18 percent (Figure 27). The share of LACD's total trade of the U.S. total has remained around 14.5 percent since 1998. In 2002, the LACD also reclaimed the number one ranking in the U.S in terms of total trade value, surpassing the New York Customs District.

Asian countries dominated both imports (86 percent) as well as exports (72 percent) through the LACD.<sup>18</sup> In 2002, China surpassed Japan as Southern California's leading trade partner. Other major trade partners included South Korea, Taiwan and Malaysia.

Finally, between Imperial County and Mexico, trade by truck increased from \$7.2 billion in 2001 to \$8.3 billion in 2002. Among the total trade in 2002, about \$4.8 billion were exports and \$3.5 billion were imports.<sup>19</sup>

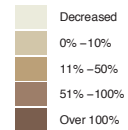
**Figure 27**  
**Exports and Imports - LA Customs District**  
(Percent of US)



Source: U.S. Census Bureau



Percent Change of Median Household Income  
(Adjusted for Inflation) Between 1990 and 2000 by Census Tract



Source: Census 2000,  
Thomas Bros. Network

## MEDIAN HOUSEHOLD INCOME Change Between 1990 and 2000



